

J. T. McCREARY

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January 12, 1990

ORIGINAL

RECEIVED

JAN 18 1990

Federal Communications Commission  
Washington, D.C.

Alfred C. Sikes, Chairman  
U.S. Federal Communications Commission  
1919 M Street N.W.  
Washington, D.C. 20554

Dear Mr. Sikes:

The enclosed Petition is unique as it applies to Interstate and Intrastate Telephone Monthly Revenue Recovery (Settlements) interchangeably. Therefore, this Proposal is being presented to each State Communications Commission as well as being sent to the Federal Communications Commission.

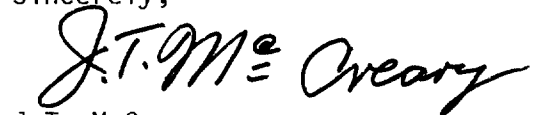
For consistency and clarity, where Interstate is displayed, this Proposal suggests the same logic would apply to Intrastate as well. The Settlements Processing would be identical.

In most cases, State Requirements will be different and no attempt has been made to display the many variations. Any variation would be workable by means of this Proposal.

For the sake of dialogue between Federal and State Commissions, copies of this Proposal are the same.

If you have any questions, please contact me at 303-973-9124.

Sincerely,



J.T. McCreary

JTM/cm

Enclosures

cc: Senator William L. Armstrong  
ATTN: Charlie Rea  
United States Senate  
Washington, D.C. 20516

Mary Beth Hess  
Federal Communications Commission  
Chief, Enforcement Division  
Common Carrier Bureau  
Washington, D.C. 20554

Each State Communications Commission

Federal Petition Copy Dispersals

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Dockets	2
Bureau	2
Secretary	1
Information Office	1

Each State Petition Copy Dispersals

Commission	3
Secretary	1

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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JAN 18 1990

Federal Communications Commission  
Office of the Secretary

In the Matter of )  
)  
Petition to Establish a Simplified )  
Monthly Settlements Technique for )  
the Telephone Industry that can be )  
subscribed to by those Exchange )  
Carriers that want to be relieved )  
in the responsibilities of Special )  
Studies, Separations, Allocations, )  
Tariffs, Monthly Settlements and )  
those associated requirements of )  
Revenue Recovery except for their )  
required Part 32 efforts )

CC Docket No. 90- \_\_\_\_\_  
RM- \_\_\_\_\_

To: The Commission

PETITION FOR RULEMAKING  
TO ESTABLISH  
SIMPLIFIED MONTHLY SETTLEMENTS

J.T. McCreary

January 10, 1990

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## Summary

After 25 years of being involved in the Separations and Settlements world and my recent experience of developing a Simplified Technique for Monthly Settlements, I feel strongly about sharing these ideas with the Commissions.

The ultimate purpose of this proposal is to provide information and ideas to the Commissions for their commitment to assist the telephone companies in receiving their intended and authorized Revenue Recovery. This proposal would provide a practical and Simplified Revenue Recovery, lower the expenses for processing, utilize current data and, subsequently, could benefit the subscribers.

An interest in Simplification of Settlements has existed since 1986 and various attempts have been offered. However, the difficult process of Separations has required the use of old information which has held back the progress of Simplification.

The use of investments, expenses and taxes of some 1,426 different Exchange Carriers, or ECs (Telephone Companies) is necessary to satisfy the calling requirements in the United States. To reimburse these ECs for their efforts, many tariffs have been developed and are maintained to generate these revenues.

The results of sharing these revenues have caused, at times, some ECs to feel they are supporting other ECs. This Simplified Settlements Proposal does not use Tariffs and each EC recovers only the revenue that belongs to it.

Much of the data used to maintain these Tariffs and satisfy Settlement are

2-to-2-1/2 years old. Even then, approximately 700 ECs are sharing National Average Figures, therefore it is difficult to determine whether or not each EC is receiving the support intended. This Simplified Settlements Proposal has each company settle on its own data each month.

Settlement efforts are so complex that time is spent recalculating, making and correcting mistakes, misinterpreting, as well as making decisions that vary from EC to EC. Any time an EC changes its Settlement History, the Rate of Return changes for each and every EC in the system. When the Monthly Settlements Data is processed, it is processed for the past 24 months, each month, causing the Rate of Return (Recovery Rate) to be redeveloped 24 times (ie: January 1988 has 24 Rates of Return). The proposed Simplified Settlement Data would be processed once, using just the current month.

Tariffs today reflect results of operating practices, efficient or inefficient. This Proposal does not remove the obligation of the Telephone Companies' efficiency in operating practices of expenditures, it offers a current, simplified and accurate means of Revenue Recovery of each EC independently.

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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Studies, Separations, Allocations, )  
Tariffs, Monthly Settlements and )  
those associated requirements of )  
Revenue Recovery except for their )  
required Part 32 efforts )

CC Docket No. 90- \_\_\_\_\_  
RM- \_\_\_\_\_

To: The Commission

**Petition for Rulemaking  
to Establish  
Simplified Monthly Settlements**

This Petition for Rulemaking proposes to establish a Simplified Monthly Settlements Technique as addressed in the Unity 1-A Document. Those Exchange Carriers that desire to subscribe to this arrangement would be relieved of the responsibilities of generating and maintaining Tariffs. Ninety-eight percent of the Exchange Carriers have less than 70,000 access lines and this Proposal is offering an Abbreviated Simplification for them. However, the remaining 26 Exchange Carriers are offered an arrangement of maintaining the Separations, Allocation and Monthly Settlements on one computer Main Frame and utilizing current monthly data. This enables the Settlement process to generate one monthly bill to each of the

InterExchange Carriers (ICs) and one check to the Exchange Carriers (ECs). This Proposal is so flexible that with the cooperation of Federal and State Regulatory Bodies, the EC could subscribe to any or all of the various revenue recoveries. Also, various Rates of Return could be processed, Universal Service requirements would be satisfied and End User charges can be varied, or even eliminated, if the Lawmaking Bodies so desire.

## II

### **Problem Areas This Proposal Addresses**

The intent of the Rulemaking Bodies and the expectation of the Telephone Companies are the same, that is, to see that the Telephone Companies recover their:

Taxes, Expenses and Authorized Rate of Return

#### **Taxes**

1. The recovery of Tax requirements today must be calculated using, among other items, the Rate of Return. If an accountant for the EC calculates it correctly, it will be wrong the next month when the Rate of Return changes. The tax must be recalculated each month for 24 months.

RESOLUTION: This Proposal suggests the figure be taken from the check sent to the IRS, State Revenue Office, City and/or County Revenue Office reflecting Interstate, Intrastate Tax Recovery Requirements.

**Expenses and Authorized Rate of Return:  
Separations for Category 3 Investments and Expenses**

2. The Separations of Category 3 Investments and Expenses are achieved by means of old and sampled data which require a continuous True-Up.

RESOLUTION: Utilize an Abbreviated Separations for small ECs and update the development of a Traffic Factor so current monthly data can be utilized for the large ECs.

**"Abbreviated" Simplified Settlements**

Ninety-eight percent of the Telephone Companies that have 70,000 or less access lines represents only two percent of the Industry. Whatever is used to recognize their Revenue Recovery is not going to disturb the bottom line for the Industry. The suggested procedure would be to subtract their Local Revenues from Total Revenue Requirements and separate the balance with monthly Centralized Access Billing System (CABS) (See III. A).

**"Full" Simplified Settlements**

Two percent of the Telephone Companies that have 70,000 or more access lines represent ninety-eight percent of the Industry. Separations for these 26 companies are quite satisfactory except for Traffic Data from all the switching machines which satisfies Separations for Traffic Sensitive Category 3. Not only is this data 2-to-2-1/2 years old, it is sampled and the few that are studied are sampled for only



seven days out of three years. For example, Colorado has some 230 offices and only about 60 offices satisfy the Study Sample Requirements.

RESOLUTION: The reliability of the data will be improved if a Total Switch Use per Call Rate is applied to a Monthly Call Volume and the CABS subtracted from the results. This would affect almost a 100 percent Study Factor (See III. B).

### **Age of Data**

3. The information used to support Tariffs and satisfy Settlements could be as much as 2-to-2-1/2 years old.

RESOLUTION: This Proposal suggests the use of current monthly data.

### **Decision Making**

4. Decisions and interpretations must be made periodically and any auditor knows that decisions and interpretations vary from company to company as well as area to area.

RESOLUTION: The information used for Settlements to implement this Proposal requires data direct from Part 32 as generated by the EC. The Separations, Allocations, checks and bills would be processed by the Settlements Group.

## Expense of Separations and Settlements

5. The expense to support today's efforts could be as high as \$130,000,000 (See VII. A).

RESOLUTION: This proposal suggests that the Settlements expense could be approximately \$6,000,000 (See VII. B). This would depend on the Federal and State requirements.

## Tariffs

6. Tariffs have been used as far back as there has been a service to sell, and they work well. However, the tariffs become difficult to utilize when two or more telephone companies try to share its revenues.<sup>1</sup> The use of Tariffs require each IC to receive a bill today from every EC that processes traffic for it, which means each call could originate and terminate in different ECs, causing the bill to be split between two ECs.

RESOLUTION: This Proposal suggests a process that generates the "exact" Revenue Requirement for each EC without getting involved in the Settlements of other ECs (See III A, Note 5, 6, 7, and 8). This Proposal suggests one bill every month for each IC.

---

<sup>1</sup> All ICs collect their Revenues from around the industry. However, to satisfy the NECA Tariffs for Interstate Settlement, ICs are required to pay all 1,426 ECs with a check. All the revenues from the many checks are turned over to the NECA so National Settlements can take place. Many publications carried the story that the check New Jersey Bell received from the ICs was understandably larger than the New Jersey Bell Revenue Requirements. New Jersey Bell expressed their dislike of supporting the western area of the United States, when, in fact, they were the conduit for the At&T and other IC payments to the NECA.

## **Training**

7. Training is required for the NECA and, subsequently, the EC and IC staffs as well, for the many changes that take place.

RESOLUTION: This Proposal would require no subsequent training since all changes and decisions would be at the Settlement level, except for Part 32.

## **Maintaining Rate of Return**

8. One of the objectives of the staff at the NECA is to try to maintain Tariffs to achieve a Rate of Return as close to the authorized Rate as possible. The base has gotten so small that this has become very difficult to maintain.

RESOLUTION: This Proposal would use the authorized Rate of Return only. Various States Rate of Return would be processed individually and this Proposal could satisfy any variation of Rate Requirements.

## **Settlement Changes**

9. All changes to the Settlement History, changes the Rate of Return for each of the approximately 1,426 ECs. This, in turn, makes changes in the Settlement value to each EC for the last 24 months.

RESOLUTION: This Proposal suggests each EC settle by using its own accounting data for the month. The Settlement of one EC would not affect the Settlement of any other EC (See III).

## **Access Bypass**

10. Bypass is a concern to all ECs because the ICs recognize a savings by doing so.

RESOLUTION: This Proposal would recognize a small reduction in minutes. However, there would not be any reduction in Revenue Requirements so the EC would not realize any reduction in Settlements.

## **Data Requests**

11. Data Requests are the lifeblood for the NECA, the FCC and the State Commissions. These data are quite old by the time the need has been determined, requested, collected, evaluated, corrected and utilized.

RESOLUTION: With this proposal the monthly results would be final and published as needed.

## **End User Charge**

12. The End User Charge is not popular, but necessary at present.

RESOLUTION: If the time comes when the decision is made to reduce or eliminate the End User Charge, this Proposal has the flexibility to shift the support to any discipline the rulemakers decide (i.e. as in pre-divestiture days).

## **Universal Service Fund**

13. The Fund is supported by Tariffs and contributions by the larger ECs to support the high-cost ECs.

RESOLUTION: This Proposal would obtain its Revenue Requirements direct from the ICs without using the large ECs as a conduit.

## **Unity 1-A**

14. This Proposal addresses the desires of Unity 1-A: simplification, voluntary participation and less expensive Settlement Requirements.

## **Average Schedule ECs**

15. Some 700 Telephone Companies have no Settlement Factors of their own and are required to use Average Schedules which do not apply to any particular company.

RESOLUTION: By placing all ECs on Monthly Settlements, the need for Average Schedules would not exist.

## **True-Ups**

16. True-Ups are required any time additional data is available for Settlements which makes Settlement data lag a year-and-a-half.

RESOLUTION: By placing all ECs on Monthly Settlements, there would not be a need for True-Ups.

## Multiple Billing

17. The ICs receive a bill from each of the ECs with which it conducted business. In the case of the small ICs, these bills amount to a few dollars. These small bills many times are never paid. Also, the calls are usually split between two ECs.

RESOLUTION: This Proposal suggests the use of only one bill to each IC  
(See V & VI).

### III

#### Example of Abbreviated Simplified Settlements

##### A. 100 Access Lines<sup>2</sup>

From <sup>3</sup> Part 32	→	97 Residential	@	\$4.50/month
		3 Business	@	\$13.00/month
		Expenses		\$1,542
		Investment		\$370,000
		Rate of Return	@	12 percent
		Taxes (Federal + 12)		\$1,887
		" (State + 12)		\$222
		Private Line	@	\$100/month
		End User		\$357.50

<sup>2</sup>Ninety percent of the ECs have 6,500 access lines or less and to understand this Proposal it is best to begin with a very small example such as this one.

<sup>3</sup>To satisfy this type of Settlement no preliminary effort is necessary, only a few items from the monthly accounting results are needed, which is generated from Part 32 reflecting the monthly activity for that month plus the CABS Report and some Local Revenue Data.

CABS <sup>4</sup>	Interstate	AT&T	Messages	Minutes <sup>10</sup>	
			190	1,330	
		MCI	8	56	
		Sprint	2	<u>14</u>	
				1,400	.583333
	Intrastate	At&T	198	990	
		Bell	2	10	
				<u>1,000</u>	<u>.416667</u>
		Total		2,400	1.000000

Revenue Collected <sup>5</sup>	Local				
	97	x	\$4.50	=	\$436.50
	3	x	\$13.00	=	39.00
	Private Line			=	100.00
	End User			=	<u>357.50</u>
	(Collected by EC)				\$933.00

Investment <sup>6</sup>	\$370,000								
Rate of Return	<u>x .01</u>								
	3,700								
Expenses	<u>1,542</u>								
	5,242								
	<u>933<sup>5</sup></u>								
	\$4,309	x	.583333 <sup>7</sup>	=	\$2,513.58	+	Tax		
	"	x	.416667	=	\$1,795.42	+	\$1,887 <sup>8</sup>	=	\$4,400.58
							\$ 222	=	<u>\$2,017.42</u>
							(Check)		\$6,418.00 <sup>9</sup>

<sup>4</sup>The CABS is used to accumulate the Interstate and Intrastate Access Minutes to develop the percent of Interstate and Intrastate activity for the month.

<sup>5</sup>Total the various revenues that have been collected by the EC, such as Residential and Business Local Tariffs plus Private Line and End User, etc. Subtract the results from the figure developed in Note 6. This is an opportunity to standardize the Local Monthly Rate (See VIII) if the various Rulemaking Bodies so choose.

<sup>6</sup>The total investment is taken from Part 32 for the accounting period and multiplied by the authorized Rate of Return. The result is added to the total expense to develop the Recovery Value, less Tax, for the month.

<sup>7</sup>Multiply the results in Note 6 with the percents developed in Note 4 to generate the Revenue Requirements by Interstate and Intrastate jurisdictions.

<sup>8</sup>The Tax Recovery is calculated today by a formula including the Rate of Return which will change 24 times. Here we take the figures from the check mailed to the IRS and State Revenue Office (divided by 12). These tax figures are added to the figures developed in Note 7.

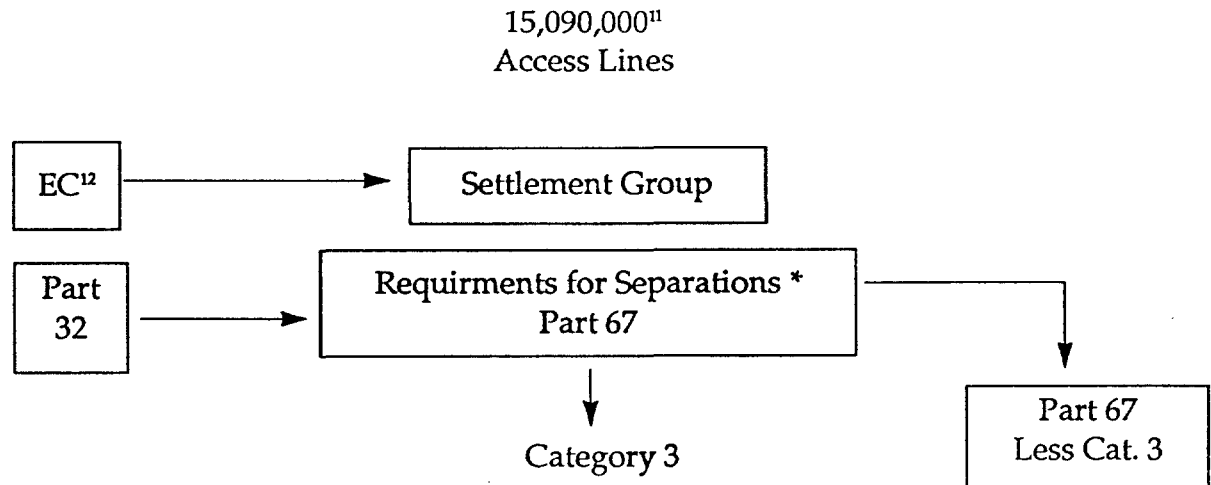
<sup>9</sup>The results will total the amount reimbursable to the EC.

<sup>10</sup>The results from Note 9 and Note 10 will be carried forward to Section IV, V and VI to develop the bill to each IC. (Ninety-eight percent of the ECs are so small [70,000 or less access lines] that whatever is utilized to develop their Revenue Requirements is not going to affect the bottom line of the Industry.) The intent of everyone in the Settlements effort is to support the ECs so they receive their just requirement. The Universal Service Fund currently overcompensates in some cases, and in other cases more assistance is needed. The above proposed Settlement Technique satisfies the 'exact' needs in the current month.

### Section III, continued

#### Example of Full Simplified Settlements

##### B. RBOCs and Large Independents



Originating Call Volume	3,140,800,000
Use/Originating Call	5.1 <sup>11</sup>
Investment	\$9,054,000,000
Expenses	3,772,500
Taxes (Federal ÷ 12)	3,590,114
" (State ÷ 12)	1,269,027
CABS	See Part 67, next page

<sup>11</sup>The effort for Monthly Settlements for the 70,000 Access Lines and above are so complicated that the present Separation procedures must be retained with one exception: The technique used for developing Traffic Factors needs to be revised so all Settlements can utilize current monthly data. To achieve this, total originating calls need to be reported each month and a new factor needs to be introduced. The new factor is the total (Telephone Category 3) Central Office Use per originating call which is easily obtained and maintained. The factor is approximately 5.1 and is what is used in the example.

<sup>12</sup>The required data for Monthly Settlements are the result of the accounting effort (Part 32) for the month as developed by the EC. That portion required for Separations needs are passed to the Monthly Settlements Group along with CABS, Originating Call Volume and the New Holding Time Factor.

\* See page 13



Part 67

CABS<sup>13</sup>

Interstate

	<u>Messages</u>	<u>Minutes</u>	<u>Percent</u>
AT&T	151,725,714	1,062,080,000	.649988
MCI	35,012,857	245,090,000	.149994
Sprint	1,022,390	7,156,730	.004302
LDX	121,450	850,150	.000520
,	,	,	,
,	,	,	,
Etc.	<u>500</u>	<u>3,500</u>	<u>.000002</u>
	233,428,407	1,633,998,849	1.000000

CABS<sup>13</sup>

Intrastate

	<u>Messages</u>	<u>Minutes</u>	<u>Percent</u>
AT&T	125,750,000	565,875,000	.400000
Bell	141,468,750	636,609,375	.450000
MCI	44,012,500	198,056,250	.140000
Sprint	3,143,205	14,144,422	.009992
,	,	,	,
,	,	,	,
Etc.	<u>545</u>	<u>2453</u>	<u>.000008</u>
	314,375,000	1,414,687,500	1.000000

Audit Trail Example:

Interstate	1,633,998,849	minutes	.535968
Intrastate	<u>1,414,687,500</u>	minutes	<u>.464032</u>
Total	3,048,686,349	minutes	1.000000

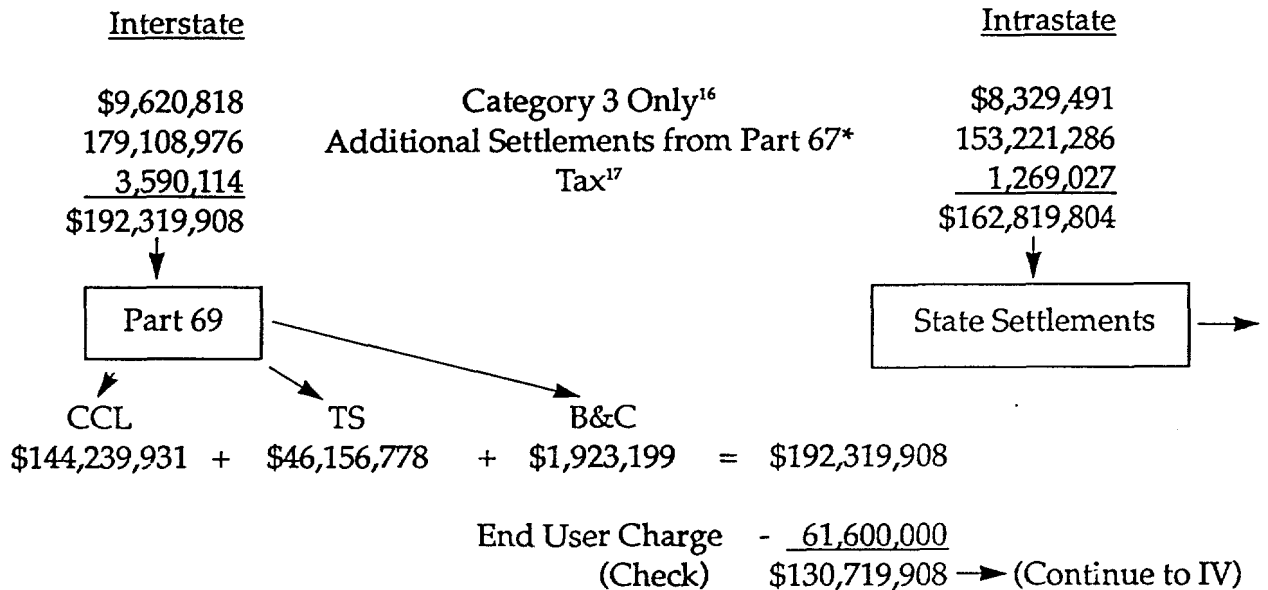
Originating Call Volume 3,140,800,000 <sup>14</sup>	x 5.1 <sup>11</sup>	=	16,018,080,000	1.000000
CABS Interstate Access Minutes			-1,633,998,849	.102010
CABS Intrastate Access Minutes			<u>-1,414,687,500</u>	<u>.088318</u>
Balance of Local Minutes of Use		=	12,969,393,651	.809672

<sup>13</sup>The Access Minutes are summarized from the CABS Report for Interstate and Intrastate for the month and subtracted from the total in Note 14.

<sup>14</sup>The Originating Call Volume is multiplied by the Use/Call Rate to generate the Category 3 Minutes of Use for the month. The CABS Interstate and Intrastate Access Minutes are then subtracted to locate the Local Minutes for the month. The percent of Interstate, Intrastate and Local is then developed.

Part 67 Category 3	Investment Only	\$9,054,000,000 <sup>15</sup>
	Recover Rate	<u>x .01</u>
		90,540,000
Part 67 Category 3	Expense Only	<u>3,772,500</u>
		\$94,312,500

$$\begin{array}{rclcl}
 \$94,312,500^{15} & \times & .102010 & = & \$9,620,818 & = & \text{Interstate Revenue Recovery less Tax} \\
 " & \times & .088318 & = & \$8,329,491 & = & \text{Intrastate Revenue Recovery less Tax}
 \end{array}$$



#### IV

#### Example of Interstate Settlements

<sup>15</sup>The Category 3 Investment is multiplied by authorized Rate of Recovery and is added to Category 3 Expense. The result is separated into Interstate and Intrastate Revenue Requirements and added to Tax Revenue Requirements in Note 17.

<sup>16</sup>The results of Interstate and Intrastate Revenue Requirements are then added to the other Revenue Requirements generated in Part 67 and Taxes in Note 17. This total is then allocated to Carrier Common Line (CCL), Traffic Sensitive (TS) and Billing and Collection (B&C). The results of Part 69 has End User Charges subtracted and a check for this amount is mailed to the EC. This figure is then carried on to Section IV for billing to the ICs.

<sup>17</sup>The Tax Revenue Requirement is taken from the check mailed to the IRS and State Revenue Agent and divided by 12. This is not calculated and revised each month. The results are added to the Revenue Requirement generated in Note 16.

\* See page 11.

# IV

## Example of Interstate Settlements

### A. RBOCs and Large Independent Telephone Companies<sup>18</sup>

<u>Tele. Co.</u>	<u>CCL</u>	<u>TS</u>	<u>BC</u>	<u>Checks to EC</u>
1	\$98,039,931	\$31,372,778	\$1,307,199	\$130,719,908
2	94,564,029	30,260,489	1,260,854	126,085,372
3	94,414,598	30,212,671	1,258,861	125,886,130
,	,	,	,	,
,	,	,	,	,
26	<u>443,096</u>	<u>141,791</u>	<u>5,908</u>	<u>590,795</u>
	\$744,191,944	\$238,141,422	\$9,922,559	\$992,255,925

### B. Small Independent Telephone Companies<sup>18</sup>

27	\$570,005
28	499,837
29	493,773
,	,
,	,
,	,
1,426	<u>525</u>
	\$32,323,075
Total Outstanding Checks	\$1,016,591,000

<sup>18</sup>This is part of an example that reflects a Settlements Report of each EC and its total recovery.

C. Example of Settlements and Processing Expenses for Colorado<sup>19</sup>

Telephone Comps.	<u>Inter \$</u>	<u>Old</u>	<u>New</u>	<u>Intra \$</u>	<u>Old</u>	<u>New</u>	<u>Acc. Lines</u>
Agate	909	4.81	.22	824	4.36	.20	103
Big Sandy	5,612	29.67	1.37	5,088	26.90	1.24	636
Bijou	8,074	42.68	1.97	7,320	38.70	1.78	915
Blanca	3,618	19.13	.88	3,280	17.34	.80	410
Columbine	7,942	41.99	1.94	7,200	38.06	1.76	900
Delta County	50,164	265.21	12.23	45,480	240.40	11.09	5,685
Eagle	43,388	229.38	10.58	39,336	207.94	9.59	4,917
Eastern Slope	33,240	175.73	8.11	30,136	159.31	7.35	3,767
El Paso County	15,151	80.10	3.69	13,736	72.61	3.35	1,717
Farmers	2,524	13.34	.62	2,288	12.09	.56	286
Mountain Bell	12,720,565	67,249.53	3,101.87	11,532,560	60,963.59	2,811.35	1,441,570
Nucla Naturita	8,745	46.23	2.13	7,928	41.91	1.93	991
Nunn	2,294	12.13	.56	2,080	11.00	.51	260
Peeta	1,685	8.91	.41	1,528	8.08	.37	191
Phillips	13,677	72.31	3.34	12,400	65.55	3.02	1,550
Pine	4,288	22.67	1.05	3,888	20.55	.95	486
Plains	11,912	62.98	2.91	10,800	57.09	2.63	1,350
Rico	882	4.67	.22	800	4.23	.20	100
Roggen	1,438	7.60	.35	1,304	6.89	.32	163
Stoneham	697	3.69	.17	632	3.34	.15	79
Strasburg	7,915	41.85	1.93	7,176	37.93	1.75	897
Sunflower	37,167	196.49	9.06	33,696	178.13	8.21	4,212
The Rye	12,354	65.31	3.01	11,200	59.21	2.73	1,400
Wiggins	9,265	48.98	2.26	8,400	44.40	2.05	1,050
Willard	494	2.61	.12	448	2.37	.11	56
	<u>1,300,400</u>	<u>68,748.00</u>	<u>3,171.00</u>	<u>11,789,528</u>	<u>62,322.00</u>	<u>2,874.00</u>	<u>1,473,691</u>

<sup>19</sup>This is part of an example that reflects a Settlements Reports of each EC and its State Total. The columns headed "old" reflect present day processing expense if distributed to each company. The columns headed "new" reflect proposed processing expense if distributed to each company.

## D.

Example of Interstate Settlements by State<sup>20</sup>

<u>States</u>	<u>Settlement \$</u>	<u>State</u>	<u>Settlement \$</u>
Alabama	17,523,000	Montana	3,540,000
Alaska	1,808,000	Nebraska	7,064,000
Arizona	12,233,000	Nevada	3,602,000
Arkansas	10,289,000	New Hampshire	4,143,000
California	106,505,000	New Jersey	33,143,000
Colorado	13,004,000	New Mexico	5,866,000
Connecticut	13,984,000	New York	79,011,000
Delaware	2,674,000	North Carolina	26,466,000
Florida	43,859,000	North Dakota	2,937,000
Georgia	24,584,000	Ohio	48,589,000
Hawaii	4,342,000	Oklahoma	13,615,000
Idaho	4,248,000	Oregon	11,849,000
Illinois	51,423,000	Pennsylvania	53,391,000
Indiana	24,706,000	Rhode Island	4,262,000
Iowa	13,108,000	South Carolina	14,053,000
Kansas	10,639,000	South Dakota	3,108,000
Kentucky	16,471,000	Tennessee	20,660,000
Louisiana	18,927,000	Texas	64,024,000
Maine	5,063,000	Utah	6,575,000
Maryland	18,976,000	Vermont	2,301,000
Massachusetts	25,817,000	Virginia	24,061,000
Michigan	41,679,000	West Virginia	8,776,000
Minnesota	18,342,000	Washington	18,595,000
Mississippi	11,343,000	Wisconsin	21,175,000
Missouri	22,125,000	Wyoming	2,113,000

50 State Total \$1,016,591,000\*

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<sup>20</sup>This is an example of a proposed Interstate Settlement Report by State.

\* Puerto Rico and the Virgin Islands could also be included.

**V**  
**Distribution of Interstate Access Minutes<sup>21</sup>**

CABS Access Minute (000,000)  
By FG and its Reductions and by InterExchange Carrier

	<u>EC #1</u>	<u>EC #2</u>	<u>' ' '</u>	<u>EC #1,426</u>	<u>Total</u>	<u>Percent</u>
AT&T	1062.096	1024.440	' ' '	0000.006	8362.961	.649998
MCI	245.163	236.445	' ' '	0000.001	1930.203	.150022
LDX	163.398	157.605	' ' '	0000.000	1286.600	.099999
'	'	'	' ' '	'	'	'
'	'	'	' ' '	'	'	'
450th	<u>0000.029</u>	<u>0000.025</u>	' ' '	<u>0000.000</u>	<u>0000.231</u>	<u>.000018</u>
	1633.999	1576.067	' ' '	0000.007	12866.134	1.000000

**VI**  
**Development of Interstate Access Bills for ICs<sup>22</sup>**

Distribution of Processing to Interstate and Intrastate

Inter minutes	12,866,134,000	.403935 x (\$6,000,000 <sup>23</sup> + 12)* = \$201.968
Intra "	<u>18,985,850,000</u>	<u>.596065</u>
	31,851,984,000	1.000000

Interstate Revenue Requirement	\$1,016,591,000
Interstate Processing	<u>201,968</u>
	\$1,016,792,968 Total Bill

AT&T	.649998	x	Total Bill	=	\$660,913,395.60
MCI	.150022	x	" "	=	152,541,314.60
LDX	.099999	x	" "	=	101,678,280.00
'	'		' '		'
'	'		' '		'
450th	.000018	x	Total Bill	=	<u>\$ 18,302.27</u>
					1,016,792,968.00 Total Bill

<sup>21</sup>This is an example of the accumulation of Interstate Access Minutes for all the ICs by EC. The percent of the total for each IC is displayed in the right hand column.

<sup>22</sup>The total Revenue Requirement including Interstate Processing for the month is multiplied by the factor for each IC to generate the bill for each IC.

<sup>23</sup>See Section VIIB.

\* In reality, this figure would be the total monthly expenses incurred by the Settlements Group.

## VII

### Estimate of Processing Expenses

#### A. Estimate of Expenses Today<sup>23</sup>

Average Schedule EC Expense	700	x	\$1,000	=	\$700,000
Cost EC Expense	700	x	15,000	=	10,500,000
Large Independent EC Expense	19	x	75,000	=	1,425,000
RBOC Expense (155 people/RBOC)	7 x 155	x	42,000	=	45,570,000
AT&T Expense (500 people)	500	x	42,000	=	21,000,000
MCI (155 people)	155	x	42,000	=	6,510,000
All other ICs (155 people)	155	x	\$42,000	=	6,510,000
NECA Budget					<u>39,505,000</u>
				Total	\$130,000,000

#### B. Estimate of Proposed Simplified Expenses<sup>24</sup>

40 Denver People <sup>25</sup>	40	x	\$42,000	=	\$1,680,000
10 Washington D.C. People	10	x	42,000	=	420,000
Travel @ \$650 per trip	12	x	35 x 650	=	273,000
Floor Space (Denver)					235,000
" " (Washington)					100,000
Loading					840,000
Utilities and Supplies					200,000
Computer Expense					<u>2,252,000</u>
				Total	\$6,000,000

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<sup>23</sup>This is an estimate of expenses today to satisfy the Separations, Settlements, Data Requests, Tariffs, Special Studies, Audits, Cost Studies and Training for all ECs. Also, evaluations by 1,426 ECs, some 450 ICs and all Associated Agencies. These estimates are conservative.

<sup>24</sup>This is an estimate of expenses to satisfy Proposed Simplified Monthly Settlements for the FCC, State Commissions and all ECs. This, however, depends on who participates in Settlements and the desires of the Regulatory Bodies.

<sup>25</sup>Denver is shown here as the major office due to geographical location, greater concentration of ECs and is a major airline interconnect.

## VIII

### Example of Standard Rates for Local Services<sup>26</sup>

<u>Access Lines or Less</u>	<u>Residential \$</u>	<u>Business \$</u>
50	3.75	10.50
200	5.50	14.00
1,000	7.25	17.50
10,000	9.00	21.00
50,000	10.75	24.50
100,000	12.50	28.00
Over	14.50	32.00

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<sup>26</sup>If a unanimous agreement were to be reached by all Regulatory Bodies, a National Standard of Local Rates could be implemented. With this in mind, an example of Rates that the ECs could charge their subscribers for a Universal Standard Local Service is displayed above. An agreement between the FCC and the State Commission could include End User Charges with the Local Rates. Better yet, drop the End User charges and let the Access Settlements pick up all other Revenue Requirements, restoring recovery as it was prior to divestiture, and even better. This Proposal is flexible enough to accept any and all variations.